

Table 1. **Panel regressions for growth of working capital.** This table presents panel regressions with firm fixed effects for the annual log difference of receivables, inventories and payables of US manufacturing firms. $\text{dln}(\text{BD leverage})$ is the annual log difference of the leverage of the US broker-dealer sector from the US Flow of Funds. The sample is from 1990 to 2012. Standard errors are clustered at the firm level.

	(1)	(2)	(3)
Dependent variable	$\text{dln}(\text{receivables})$	$\text{dln}(\text{inventory})$	$\text{dln}(\text{payables})$
$\text{dln}(\text{sales})$	0.8645*** (87.76)	0.7344*** (62.69)	0.5321*** (53.12)
$\text{dln}(\text{BD leverage})$	0.0510*** (3.04)	0.0452*** (2.91)	0.0354* (1.94)
constant	-0.00686 (-0.0)	0.0020** (2.14)	0.02264*** (29.89)
Observations	61484	60169	64886
Firms	6377	6192	6583
R-squared	0.5423	0.5156	0.3674

than *within* firms, the time dimension of production will be reflected in the firms' accounts receivable and accounts payable. Figure 3 plots the annual changes in receivables, payables and inventories of non-financial corporate businesses in the United States and shows clearly how receivables, payables and inventories move in unison with the business cycle.

The evidence from Figure 3 on aggregate fluctuations on working capital holds at the firm level, too. Table 1 reports panel regressions for the annual growth of receivables, inventories and payables for US manufacturing firms. Adjusting for the growth of sales, the growth in the components of working capital shows positive comovement with the leverage of financial intermediaries (given by the leverage of the aggregate US broker dealer sector). Thus the aggregate changes in Figure 3 reflect the changes at the firm level, also.

We see our paper as being complementary to technological explanations of the fluctuations in trade volumes over the crisis, such as Eaton, Kortum, Neiman and Romalis (2009) and Alessandria, Kaboski and Midrigan (2009, 2010). Not only are the financial and real explanations consistent they are arguably two sides of the same coin, as Alessandria et al. (2009, 2010) draw